

# FISCAL NOTE

**Bill #: HB0510**

**Title: Tax relief for school expenses**

**Primary**

**Sponsor: Peggy Bergsagel**

**Status: As introduced**

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$45,221	\$29,410
<b>Revenue:</b>		
General Fund	(\$2,343,819)	(\$2,343,819)
<b>Net Impact on General Fund Balance:</b>	<b>(\$2,389,040)</b>	<b>(\$2,373,229)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. This act is effective upon passage and approval and applies retroactively to tax years beginning after December 31, 1998.
2. For FY2000 and FY2001, it is estimated that there will be 171,861 K-12 students within Montana : 159,792 public; 8,672 private; and 3,397 home school.
3. It is estimated that for students attending public school there will be 11,626 seniors; 12,255 juniors; 12,827 sophomores; 13,642 freshman; and 109,442 K-8.
4. Apart from computer related deductions, public school students are expected to have average deductions on their behalf as follows: freshman, juniors, and seniors have average deductions of \$200; sophomores

(continued)

have average deductions of \$400 (higher due to driver's education); K-8 students have average deductions of \$50.

5. The full \$600 deduction is expected for all private and home-schooled students.
6. It is estimated that 20,336 households will take the full \$400 of available deduction for the purchase of computer hardware or educational software.
7. Deductions for public school students total \$26,241,735 and deductions for private and home schooled students total \$7,241,400.
8. The average marginal tax rate for all persons taking deductions is 7%.

Administrative Expenses

9. Administrative expenses are estimated to be \$12,000 in FY2000 and \$2,000 in FY2001 for computer programming and operating expenses.
10. The Department of Revenue will be required to enter the data on the system, process withholding, audit, and develop reporting forms.
11. Based on current experience, 35% of the returns will require some type of additional processing (refunds, error corrections).
12. One auditor can process 35 returns per hour, which is higher than normal because some of the auditing required will be associated with normal audit activity.
13. Approximately 114,121 households would qualify for the deduction.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	1.00	1.00

Expenditures:

Personal Services	\$24,904	\$24,738
Operating Expenses (personal service related)	6,317	2,672
Operating Expenses (computer related)	12,000	2,000
Equipment	<u>2,000</u>	<u>0</u>
TOTAL	\$45,221	\$29,410

Funding:

General Fund (01)	\$45,221	\$29,410
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Revenues:

General Fund (01)	(\$2,343,819)	(\$2,343,819)
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$2,389,040)	(\$2,373,229)
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TECHNICAL NOTES:

1. Under current Montana law, both parent and working child can claim him or her self as a dependent. In this situation the bill should point out that only the parent or child can claim the deduction and not both.